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A New G2: China and the EU?

In light of Washington's wavering, Brussels and Beijing have an opportunity.

By Andrei Lungu
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Throughout the past half-century, the driving force of globalization and the creation of a rules-based order has been the North Atlantic partnership between the United States and Europe. But in the past six months, the paths of America and Europe have diverged on everything from trade and climate change to preserving an open, multilateral international system. Today, the European Union (EU) finds itself without a strong partner with a similar vision who can help shoulder the responsibilities of global governance. But the current situation also presents an opportunity for a different partnership: one between the EU and China.

The EU and China already maintain a strategic partnership, yet it is one that hasn't achieved much in the past decade. But today, the stars are perfectly aligned for the EU-China partnership to reach its full potential and become the world's G2.

Such a partnership might have been difficult to imagine a few years ago. But picture it now: at the ministerial G20 summit, the United States removed a pledge about opposing protectionism from the official communiqué. At the Hamburg G20 Summit, the United States found itself swimming against the tide, the official communiqué acknowledging the divergence between Washington and the remaining 19. At the G7 as well, the United States was the only country not joining the consensus regarding climate change, Washington having announced that it will withdraw from the Paris Agreement.

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On trade, Washington has quit the Trans-Pacific Partnership (TPP), shelved the Transatlantic Trade and Investment Partnership (TTIP) and threatened to terminate the North American Free Trade Agreement (NAFTA). The question is no longer whether the Doha Round will ever be finalized, but whether the new administration might undermine the World Trade Organization (WTO). When it comes to development assistance, the United States will probably turn its back from the world, as Donald Trump plans to vastly reduce the State Department's budget. The signal from Washington is pretty clear: world, you're on your own.

But this is not the elite consensus in American politics. It isn't even the Republican consensus. Nonetheless, Trump has remained wary of global governance, multilateralism and of the vital role the United States plays in addressing global issues. Eventually, a new president will come to the White House in four or eight years, and U.S. policy will probably bend back toward normal. Another Republican president might still oppose climate action, yet he or she will at least address other global issues. But the real question is what happens in the meantime: do we pause the clock or does the world move forward with addressing the countless problems it faces?

A New G2 solution

This is where the Europe-China G2 comes into play. If the world's foremost power has decided to go on vacation, somebody needs to take over its responsibilities. The EU and China, the other two world economic powers, are the only ones that can. Together they account for a quarter of the world's population and a third of its GDP. And unlike the new administration in Washington, they have some common views on how global governance should advance. When it comes to trade, aid, climate change and a host of other issues, Brussels and Beijing want to work together with other countries and find solutions. Their preferred policies might be different, thus needing serious negotiating, but at least there is room for discussion and compromise. If the EU and China would realize this and decide to focus more resources on their bilateral relations and on formulating joint actions on the world stage, they might achieve concrete results.

When the original concept of a Sino-American G2 was first proposed more than a decade ago, it wasn't meant as a new entity that would supersede the existing global governance architecture, but a forum for the United States and China to engage, negotiate and agree on courses of action for a wide variety of global problems. This bilateral consensus would then be used to guide the global community through the numerous existing mechanisms, like the G20. Thanks to the weight of the United States and China, their agreed upon course of action would probably be approved by the other states. And seeing eye to eye would help Washington and Beijing marshal support for their proposals.

The same would be true of an EU-China G2, whose weight would influence the global debate. The point of the partnership isn't to sidetrack the other existing mechanisms, but to complement them, by forming a consensus between the two powers. Also, it should be obviously clear that no definitive solution to any global problem would be possible without the United States. Yet, partial solutions that would at least address and diminish current problems might be possible. Even more important, if the EU and China could find consensus between themselves, others

might join, including the United States, if the pressure is high enough and the required contribution bearable. While this EU-China G2 will be no panacea, it will at least mean that the next four or eight years will not be lost, with global governance stalling or pulling back, while the United States is disengaged and unwilling to lead. It will mean that at least some progress will be made on issues like trade, development assistance, climate change or migration.

Take the case of trade. It should be clear that in the next four or eight years, the United States is unlikely to sign any grand trade agreements. The TPP might still advance without the United States, but it will lack the same weight. A different free trade agreement including China, Japan, India and ASEAN might come into force, but it will be a watered-down version of the TPP. The EU-Japan free trade agreement is good news, but Japan doesn't have the same economic clout as China.

As free traders in Washington like to point out, it matters who will write the rules for commerce in the 21st century. If the United STATES isn't interested anymore, why shouldn't the EU shoulder this responsibility? An EU-China free trade agreement might not include everything the TPP includes – there was a reason why China was never part of the TPP negotiations. But the EU could raise trade standards by asking China to put its money where its mouth is: the rhetoric coming out of Beijing in the past year has been vigorously globalist and pro-free trade. If Beijing wants to prove this isn't just rhetoric, a free-trade agreement with Brussels holds the key. In return, China would receive greater access to the market of its largest trading partner and European recognition of its market economy status, which neither the EU nor the United States currently recognizes. This would entail compromise from Chinese leaders, but it would also bring benefits and these concessions would be made to the EU, not to China's potential economic and strategic competitor, the United States.

No Strategic Competition, No Distrust

The original proposition of a G2 between China and the United States was destined to be difficult, if not impossible, to implement. The main issue was that of mutual trust between a rising and an established power. Both Washington and Beijing regard each other as potential competitors or adversaries, and they look at the other's actions with mistrust. This distrust makes it difficult to build the solid and candid partnership that would be necessary for a G2 to work. The Sino-American relationship has been haunted by problems like the South China Sea disputes, American arms sales to Taiwan, China's disputes with Japan and the Philippines (both U.S. treaty allies), Chinese hacking, and Beijing's belief that the U.S. is fanning internal tensions and planning to sabotage the Communist Party. In China, the American rebalance to the Asia-Pacific was seen as containment and the United States as attempting to derail China's rise. In the U.S., China's growing power, especially its military power, is viewed with alarm, and hawkish voices are calling for a stronger American military presence in the Asia-Pacific. While the Sino-American G2 might have worked for a while, in time, the mutual distrust would have made it less and less coherent or effective.

In the case of Europe and China, this problem doesn't exist. There is no structural distrust, just as there is no geopolitical competition between the EU and China. The EU has a limited presence in the Asia-Pacific and no treaty allies there. There are no EU warships sailing near China's

artificial islands in the South China Sea, no EU soldiers or anti-missile systems in South Korea or Japan, no EU arms sales to Taiwan, no perceived EU containment of China. This lack of military or geopolitical competition and the tensions they entail makes it far more likely that European and Chinese leaders could build the mutual trust necessary for a workable G2 framework.

Their bilateral talks would focus not on military or geopolitical disagreements, but on the subjects that really pertain to such a G2: economies open to trade and investment, economic development and poverty alleviation, action on climate change, or research and scientific cooperation. While Brussels and Beijing still hold divergent positions on some of these issues, it is more likely that they can compromise and find solutions when it comes to trade, than when it comes to sovereignty issues like those in the South China Sea or regarding Taiwan. This makes a EU-China G2 far more likely to work than the original U.S.-China version, which never really got off the ground. Just take space exploration, for example. While U.S. law prohibits NASA from working with China on space projects (because space technology could have military applications), the EU is looking into the possibility of working together with China in complex space exploration missions, like a Moon base.

As an economic giant without a geopolitical or military footprint in the Asia-Pacific, the EU is in a perfect position to engage with China. The EU could thus continue the process of integrating China in the current global system and getting it to respect the rules-based order, a process started four decades ago by the United States.

For example, when China created the Asian Infrastructure Investment Bank (AIIB) in 2015, the U.S. warned about the geopolitical implications of Beijing's action and what it portended. But there were no such qualms in Europe: almost all Western European countries joined the AIIB, regardless of Washington's advice. Today, the AIIB has been shaped by Western involvement and Western norms and ended up being not a threat, but a partner of the other multilateral development institutions. Washington's weariness was mistaken and Europe's openness proved farsighted.

The same might happen in other areas, such as China's most important foreign policy strategy at present: the Belt and Road Initiative (BRI). The United States might have meaningful doubts about the BRI, some of which European capitals share as well. But if Europe would act together, instead of being disorganized and divided, it would stand a far better chance of replicating the AIIB precedent and convincing China to address the different problems that the BRI entails. The United STATES, which will always see China's actions in a paradigm of great power competition, would never be capable of such engagement. Europe's position, far away from the politics of power transition and the tensions of the Asia-Pacific, allows it far greater flexibility.

This is true when also viewed from Beijing. Economic or political concessions made to the United States might come back to haunt China if the two become adversaries, but such concessions made to Europe carry less risks. China doesn't fear the EU. On the contrary, it is interested in stronger economic and political relations with Europe. Thus, it is more likely that China would offer concessions to Brussels instead of Washington and more likely that the EU and China would develop mutual trust.

This is why an EU-China G2 would be far more likely to work than the original U.S.-China conception. And in an era of U.S. retrenchment from the global stage, an EU-China partnership might be able to fill at least part of the gap. This doesn't mean that there aren't numerous problems and difficulties in implementing such a partnership. But if real political will emerges in European capitals and in Beijing, it is possible.

Building a G2

What would an EU-China G2 require? First of all, greater engagement and improved relations between the two, but also a change of thinking in Beijing. A good place to start would be an accelerated push to finalize a bilateral investment treaty and to begin negotiations for a free-trade agreement. This, of course, is contingent on the political will in Beijing for the numerous concessions that would be necessary, but which would ultimately help the Chinese economy, just as the reforms implemented for its 2001 WTO accession did. In the meantime, the EU and China could engage and coordinate in implementing China's Belt and Road Initiative, once European concerns have been addressed by Beijing. As there are important synergies between the BRI and the Juncker Commission's desire to improve European infrastructure, this would be, in Chinese phrasing, a win-win solution.

But in order for all this to happen, Chinese leaders need to adopt a different view of the world. It is incredible to see how China and the EU have been unable to agree on a joint communiqué after Chinese Premier Li Keqiang's June visit to Brussels. Little did it matter that this was a perfect opportunity to show the ability to work together and to send a message of unity: disagreements over steel and China's market economy status torpedoed the communiqué. Maybe China couldn't get the promise it was looking for: that the EU would recognize it as a market economy. But wouldn't it have been smarter if Beijing would have taken the long view and built a stronger partnership with Europe, by abandoning its intransigence and publishing a joint statement without this promise? Because of petty disagreements, China and the EU have missed a very good opportunity to start strengthening their partnership.

If the EU-China G2 is to work, Chinese leaders would need to be more flexible and they will have to truly abide by what they are preaching: open economies, free trade, multilateralism, respect for international law and international institutions. China may be ambivalent towards these ideas, but in the long term, it is in China's interest that the current international order is preserved. Chinese leaders need to accept that they have to make some sacrifices in order to become a global leader. An EU-China G2 will only work if China's perspective regarding the international order moves closer to Brussels'. In return, China would win countless economic opportunities in Europe, a stronger market economy, greater soft power, respect and admiration, and a central role on the global stage, as a responsible world power.

In order to be effective, the EU-China partnership needs to be elevated to a higher standing, with the participation of the Chinese President and biannual summits. On the European side, it would be wise to create a new position, that of a special representative for relations with China, whose main mandate would be to synchronize European national policies towards China and to integrate them in a coherent EU approach. The same special representative would also keep in

touch with Chinese officials and work to find consensus in a broad range of subjects related to global governance.

A G2 must also work in solving global problems. The two could begin by focusing on development aid, which the United States plans to reduce. While China likes to focus on infrastructure, the EU has a broader view that includes good governance, transparency and sustainability. These perspectives should complement each other, and coordination between Europe and China might generate greater returns, thus making up for reduced U.S. contributions.

The EU and China must also focus on other areas of global governance, making sure that they implement their commitments under the Paris Agreement; improving coordination in the case of public health emergencies like the Ebola outbreak; funding joint medical and scientific research, while Washington will cut such federal funding; and even moving forward with collaboration for space exploration. All these might ensure that the next few years will not be a lost decade in global progress.

As the United States slowly abandons its central role in global governance, the EU and China have a responsibility to step up. As German Chancellor Angela Merkel has bluntly put it, Europe cannot sit back and rely on others for progress anymore. Brussels and Beijing need to conjure up the political will to advance their bilateral relations and to put together a G2 partnership, in order to push forward global governance and to protect an open, rules-based order. Engaging China makes it more likely that Chinese leaders might turn their pro-globalization rhetoric into practice and China would continue to open up to the world, instead of succumbing to nationalist and protectionist tendencies. If this were to happen, it would be a great victory in and of itself, regardless of the progress made in addressing global problems. As tensions between China and the United States will probably grow in the next months and years, it will be wise for China not to become more aggressive, but to move closer to Europe.

The years to come will test the resilience of the current global governance architecture, as the United States will turn its attention away from numerous global problems. Both European and Chinese leaders should sense the opportunity for real progress in their partnership and build a G2 that will advance global governance and address global issues, in a time in which globalization is under threat like never before.